



# **Employer Incentives to Hire Military Servicemembers**

Veterans and Military Affairs Commission

## **OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL**

---

Kathryn Macdonald-Poelman

October 9, 2018



# What are the challenges and what are states doing?

- **The current unemployment gap between non-veterans and veterans overall is very small.**
  - Nonveterans at 3.8% and veterans at 3.9%
  - With the exception of women veterans at 4.5% unemployment
- **Currently 14 states, including Utah, have created monetary incentives to encourage employers to hire veterans.**



# What type of credits are offered by states?

- **Income tax credits**

- Refundable vs. Nonrefundable
- Range from \$1,000 to \$6,000 per veteran hired in state programs
- Duration ranges from first full year of hire to first five years eligibility

- **Reimbursements or grants**

- Missouri – Show me Heroes program offers wage reimbursement to employers in exchange for occupational training
- New York – grants offered to local government employers during first year of employment



# Who is a veteran?

## Federal definition:

- **At least 180 days of active duty in a federal branch of the military,**
- **or who has been discharged for a service-related disability prior to 180 days.**
- **National Guard members activated by the Department of Defense.**
- **“Active duty” includes military training in a federal branch of the military.**



# Federal Incentives

## **1. Work Opportunity Tax Credit (WOTC)**

- **Nonrefundable income tax credit**
- **Any employer who hires a veteran who:**
  - has a service-connected disability,
  - has been unemployed,
  - or is in a family receiving SNAP (food stamp) benefits.
- **Up to \$9,600 per veteran**
- **No limit on the number of veterans**
- **Expires on December 31, 2019**



# Federal Incentives

## 2. Activated Military Reservist Credit

- For employers who pay wages to employees while the employee is deployed.
- Members of the National Guard and reservists
- 20% on wages paid during deployment up to \$4,000 in a 12-month period of deployment.
- <30 days of deployment



# Who is a veteran according to the states?

- **Depends on the goals of the state.**
  - Who is the state trying to help?
  - How much of an impact do they want to make?
- **Varies greatly across the states.**



# What is Utah doing?

## Veteran Employment Tax Credit

- **Veterans honorably discharged from a branch of U.S. Military within 2 years of date of hire.**
- **Nonrefundable income tax credit**
  - up to \$4,800 in the first two years of full-time employment.
- **Veteran must be eligible for unemployment benefits.**
- **Credit may be carried forward for five years.**





# States' qualifiers for veteran employer incentive programs

## 1. Definition of “active duty”

- Federal vs. state call-ups
  - 5 states recognize either
  - 9 recognize only federal
- Training may or may not qualify
- State example
  - Montana: Employer Apprenticeship Tax Credit
    - A veteran who has served at least 180 days of active duty in a branch of the U.S. Military (not including training); OR, who has received a campaign badge as a result of active duty; OR, who has served in the Montana National Guard for at least six years.



# **States' qualifiers for veteran employer incentive programs**

## **2. Burden of unemployment**

- **Length of time unemployed**
  - Usually 4 weeks.
- **Qualification for unemployment benefits**
  - Eligibility varies by state.
  - General condition: must not have been terminated for cause.
- **Qualification for public assistance programs**
  - Primarily SNAP (food stamp) beneficiaries.



# States' qualifiers for veteran employer incentive programs

## 3. Existence of a disability

- Some states only provide benefits or provide additional benefits based on the rate of disability.
  - 4 states specify those with a disability.
- **State Example:**
  - West Virginia: Veteran Tax Credit
    - In addition to other veterans, a tax credit is provided ranging from 10 to 100 percent for disabled veterans. The actual percentage is equal to the percent of service-connected disability.



# States' qualifiers for veteran employer incentive programs

## 4. Date of discharge

- Alabama: 2 years
- Alaska: 10 years
- New Mexico: 2 years
- Utah: 2 years



# States' qualifiers for veteran employer incentive programs

## 6. Other qualifiers

- **Size of business**
  - Small businesses (between 50-100 employees or less) primarily targeted.
- **Receipt of a campaign badge after service in a campaign or expedition**
- **Era of service**
  - For example, some states specify Vietnam or Korean War era veterans; or some specify those discharged after September 11, 2001.



# Veteran Qualifiers by State

State	Federal service “active duty” only	Federal and/or State service “active duty”		Unemployment	Disability	Both with & without disability	Discharge date
Alabama	X			X			X
Alaska		X		X		X	X
Arizona		X					
Florida	X					X	
Maryland	X			X			
Massachusetts	X			X			
Missouri	X						
Montana	X						
New Mexico	X						X
New York		X					
Utah	X			X			X
Washington		X		X			
West Virginia		X		X		X	
Wisconsin	X				X		



# Policy Options for Utah

- **Increase amount of credit**
- **Expand or omit window from honorable discharge**
- **Expand veteran definition to include state call-ups of National Guard members.**
- **Create program specifically for the National Guard**
  - **State example:**
    - Arizona: Credit for Employing National Guard Members
      - \$1,000 tax credit for each National Guard member who is deployed within a year.



## **OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL**

---

Utah State Capitol Complex | W210 House Building | P.O. Box 145210 | Salt Lake City, Utah 84114 - 5210 | O: (801) 538-1032 | F: (801) 538-1712